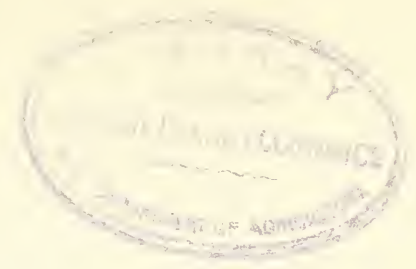


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Discussion Group Topic No. 9

WHAT IS A DESIRABLE TAX SYSTEM?

This material has been prepared to supply assistance for discussion groups. It is not intended to direct attention to any particular point of view. Neither is it presumed to be a complete or even an orderly presentation of the discussion possibilities of the topic. Its purpose is to stimulate discussion. It is intended to assist in creating opportunities for discussion in the belief that through intense discussion people may find ways of thinking through for themselves vital questions which require democratic decision.

The attention of discussion leaders and others is called particularly to the availability of "Discussion: A brief Guide to Methods." This contains practical suggestions and information.

Copies of "Discussion: A Brief Guide to Methods" and copies of this and other group discussion topics can be obtained from the Department of Agriculture, Room 202, Washington, D. C., or by writing to the agriculture college of your state.

February, 1935.

Topic: WHAT IS A DESIRABLE TAX SYSTEM?

Methods of taxing farm property have changed very little since the Colonial Era. There is considerable opinion among specialists in public finance that the taxation of real property has been overdone. Everywhere, a search is on for new sources of revenue. In certain states limitations have been put on tax rates on real property. Tax reform is a public issue receiving much attention.

1. WHAT SHOULD BE THE ATTITUDE OF FARMERS TOWARD GENERAL SALES TAXES?
2. HOW CAN THE METHODS OF LOCAL TAXATION OF FARM PROPERTY BE IMPROVED?
3. HOW HEAVILY SHOULD INHERITANCES BE TAXED?
4. SHOULD INCREASING USE OF INCOME TAXES BE MADE BY BOTH STATE AND FEDERAL GOVERNMENTS?
5. WHAT FORMS OF TAXATION ARE MOST LIKELY TO RESULT IN REVENUES IN ACCORDANCE WITH ABILITY TO PAY?
6. WHAT WOULD BE A PRACTICAL TAX PROGRAM FOR YOUR LOCALITY?

S O M E P R O S A N D C O N S

I.

"Local tax administration should be made more efficient. Assessment should be put on a scientific basis and should be done by trained persons. Township, school district and county units should improve their business methods. Vigorous efforts should be made to collect taxes. In this way revenues due are more likely to be collected in a fair way."

II.

"Get rid of all the frills and reduce the cost of government. We have too many services today that our grandparents were able to do without. In our schools, we should pay more attention to reading, writing and arithmetic, and let other subjects suffer if necessary until we can afford them again. We have got to cut costs, and that means lower taxes all around."

III.

"Let the states take over roads and also guarantee a minimum school term. The states can render services on a large scale and save money in the process. It is the state's responsibility to see to it that every child within its borders has the opportunity to secure a minimum standard of education. Our numerous local units of government were all right for the ox-cart stage. They are not needed now because we have much better methods of transportation."

IV.

"Use the sales tax to avoid adding to property taxes and eventually to reduce the burden on real property. Sales taxes always produce quick results. They get the revenues when other methods mean a long delay. Furthermore, they make everybody conscious of the tax burden, and make everybody help pay the cost of the government. Therefore, we should make a large use of sales taxes."

V.

"The income tax is the fairest that has ever been devised. It is the only method that really raises revenues in accordance with ability to pay. Farmers should favor a graduated income tax--the higher the income, the higher the rate--rather than the sales tax. General sales taxes are more of a burden on low-income than high-income groups. Farmers are a low-income group, and should consistently advocate income as over against sales taxes."

VI.

"Inheritances should be taxed heavily. Our wealth has become concentrated in the hands of relatively few individuals. These persons should not be permitted to bequeath it. Tremendous sums of money could be raised by high inheritance taxes. They become a method of getting some redistribution of income. A high inheritance tax needs to be accompanied by good stiff gift taxes in order to prevent people from evading the inheritance taxes."

VII.

"A single tax on land would make for fairer methods of raising revenue than we now have. At present, the more industrious a man is to improve his property, the more taxes he has to pay. Let us stop penalizing the enterprising family, and exempt improvements. A single tax on land would also help to force idle land into use and thus add to the wealth of the community."

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